

**CITY OF GRANT
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

JUNE 30, 2008

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CITY OF GRANT

City Commission and City Management

List of Principal Individuals

City Commission

Position

Terry Fett	Mayor
Harry Robinson	Mayor Pro-term
Anne Pickard	Commission Member
Julie Hallman	Commission Member
Cheryl Lake	Commission Member
Terri Yeomans	Commission Member
Eric Irwin	Commission Member

City Officials

Sherry Powell	Assistant City Manager/Clerk
Doug LaFave	City Manager
Lori Gardner	Treasurer



City Commission
City of Grant
Newaygo County
Grant, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Grant as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Grant, Michigan as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 30 through 35, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grant, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
December 8, 2008

CITY OF GRANT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2008

Using this Annual Report

This overview and analysis of the financial activities of the City of Grant for the fiscal year ending June 30, 2008 is hereby presented to the readers of these financial statements. Readers are encouraged to consider the information furnished in this discussion and analysis along with the information presented in the financial statements.

This annual report consists of a series of financial statements, whose purposes are described as follows:

The information contained in the *Government Wide Statement of Net Assets* and the *Government Wide Statement of Activities* relate to the activities of the City as a whole and present a long-term view of the City's financial status. The Fund financial statements explain how these services were financed in the short-term, and provide data on funding that remains for future spending. The Fund financial statements also report the City's operations; this report is in more detail than the government-wide financial statements.

Condensed Financial Information

The following table provides key financial information in a condensed format for the current year and one previous year for a comparative analysis of government-wide data. Please note that much of the City's net assets are invested in *capital* assets, such as streets, buildings, land, vehicles, and miscellaneous equipment. These assets are used to provide services to the residents and are not available to pay salaries, operational expenses, or fund capital projects.

	Governmental Activities <u>2008</u>	Business-Type Activities <u>2008</u>	<u>Total</u>	Governmental Activities <u>2007</u>	Business-Type Activities <u>2007</u>	<u>Total</u>
Assets:						
Current Assets	\$ 110,200	\$ 621,800	\$ 732,000	\$ 99,354	\$ 545,071	\$ 644,425
Restricted Assets	2,100	51,500	53,600	-	47,283	47,283
Capital and Other Noncurrent Assets	1,052,100	4,413,400	5,465,500	1,018,998	4,504,346	5,523,344
Total Assets	\$ 1,164,400	\$ 5,086,700	\$ 6,251,100	\$ 1,118,352	\$ 5,096,700	\$ 6,215,052
Liabilities:						
Current Liabilities	\$ 20,900	\$ 29,800	\$ 50,700	\$ 29,619	\$ 17,667	\$ 47,286
Noncurrent Liabilities	81,700	848,000	929,700	74,749	871,000	945,749
Total Liabilities	\$ 102,600	\$ 877,800	\$ 980,400	\$ 104,368	\$ 888,667	\$ 993,035
Net Assets:						
Invested in Capital Assets, Net of Debt	\$ 887,800	\$ 3,565,400	\$ 4,453,200	\$ 912,529	\$ 3,633,346	\$ 4,545,875
Restricted	2,100	51,500	53,600	-	47,283	47,283
Unrestricted	171,900	592,000	763,900	101,455	527,404	628,859
Total net assets	\$ 1,061,800	\$ 4,208,900	\$ 5,270,700	\$ 1,013,984	\$ 4,208,033	\$ 5,222,017

Revenues:

Program

Charges for Services	\$ 18,400	\$ 395,000	\$ 414,800	\$ 12,463	\$ 367,725	\$ 380,188
Operating Grants	67,100	-	67,100	65,084	-	65,084
Capital Grants	53,100	-	53,100	-	-	-

General

Property taxes	265,200	35,100	300,300	259,813	34,924	294,737
State Shared Revenue	98,400	-	98,400	101,776	-	101,776
Investment Earnings	7,700	19,800	27,500	3,865	13,891	17,756
Miscellaneous	88,800	1,600	88,300	70,079	35,206	105,285
Total Revenues	\$ 598,700	\$ 451,500	\$ 1,050,200	\$ 513,080	\$ 451,746	\$ 964,826

Expenses:

General Government	\$ 178,100	\$ -	\$ 178,100	\$ 196,400	\$ -	\$ 196,400
Public Safety	123,200	-	123,200	116,938	-	116,938
Public Works	203,000	-	203,000	87,496	-	87,496
Community and Econ. Dev.	4,600	-	4,600	4,107	-	4,107
Recreation and Culture	15,700	-	15,700	3,630	-	3,630
Other Functions	22,400	-	22,400	24,147	-	24,147
Unallocated Depreciation	-	-	-	-	-	-
Interest on Long-Term Debt	3,800	-	3,800	4,706	-	4,706
Water Fund	-	220,200	220,200	-	219,607	219,607
Sewer Fund	-	230,500	230,500	-	219,757	219,757
Total Expenses	\$ 550,800	\$ 450,700	\$ 1,001,500	\$ 437,424	\$ 439,364	\$ 876,788

Change in Net Assets	\$ 47,900	\$ 800	\$ 48,700	\$ 75,656	\$ 12,382	\$ 88,038
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The City as a Whole:

The total revenues increased from the previous fiscal year, while total expenses saw an increase at 8.8% and 14.2% respectively. Revenues have been affected by State Revenue Sharing cuts and grant revenue. State Revenue Sharing was down 2.7% from the previous year, but Act 51 Road Revenue Sharing increased 3.1%. Awarded grants have actually increase revenue, compared to last years decrease of -7.5%. Grant revenue awarded was \$80,620, with \$53,093 spent as of the end of the fiscal year. It is important to note that increased spending is tied to grant funded projects with the exception of the street repaving project from last fiscal year in which the City used most all of Roads and Right of Way funds (\$44,000) as well as an interfund loan from water revenue bonds for \$39,500 (which was recently repaid with the summer 2008 roads and right of way millage). This is notable when viewing the DPW expenditures and why they appear much higher than the previous fiscal year. For grant revenues, for accounting purposes in the audit, only the amount spent is recorded as revenue under capital grants. The remaining \$27,527 will be counted towards revenue next fiscal year. Total net assets are at \$5,270,700, which is a total net asset gain of \$48,683 from the previous fiscal year 2007. This is expected to be much higher for the next fiscal year with the additional City Park, improvements to Blanche Lake Park, Streetscape, Sewer Plant and collection system upgrades and DPW/Police facility upgrades.

The City's primary source of revenue derives from property taxes. This represents nearly 30% of the total Governmental Activities revenue for FY 2007-2008. State grants and revenue sharing accounted for 15.3% of the year's Governmental Activities revenue, which is down from the previous fiscal year.

The City's total governmental and business-like revenues equaled \$1,082,500; an increase of \$85,374 from the previous year. This is attributed to an increase in revenues from partnerships with other government and business entities as well as grants. Revenue sharing continues to shrink from the State of Michigan.

The Water Fund revenue was able to cover all expenses; however, the Sewer Fund revenue did not cover all costs associated with expenses and therefore used some fund balance. This was attributed to the ongoing expenses and planning related to the sewer system upgrades which are upcoming as well as some expense to repainting the water tower and replacement/fixing of some pumps. With upcoming sewer system upgrades, the City Commission will have to consider raising some extra revenue to keep these funds healthy. Management believes this would be best served as a modest increase in readiness to serve of around ~\$2 per quarter and around ~2% rate increases.

Net assets may be used as an indicator of a government's financial health. As of June 30, 2008, the City's total government-wide net asset equaled \$5,270,700. This is an increase from the previous fiscal year of \$48,683.

Government Activities:

Governmental activities saw a net asset increase of \$47,816 or 4.6% from the previous fiscal year.

Governmental activities saw a net decrease in total governmental liabilities from the previous year in the amount of \$1,768 or 1.7%.

Governmental activities saw a decrease in State shared revenue of 2.7% from the previous fiscal year.

Property taxes increased from the previous fiscal year in the amount of \$5,563 or 1.9%.

Total government expenses for governmental activities increased from the previous fiscal year in the amount of \$113,376 or 25.9%. Keep in mind this increase includes expenses related repaving of the City Streets (fund balance and interfund loan) and grants for a new police car, skatepark, and some work relatd to the water tower park.

General government expenses decreased \$18,300, while public safety increased \$6,262 (included ~\$24,000 for police car, which nearly half was covered in a USDA grant), and DPW increased \$115,504, but as mentioned above, this includes the fund balance from Roads and Right of Way as well as interfund loan for the routine upkeep and maintenae of City streets.

The City's Funds:

An analysis of the City's major funds follows the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds—not the City as a whole. The City Commission creates funds to help manage money for specific purposes, to demonstrate compliance with finance-related legal requirements, and to show accountability for certain activities such as special property tax millages. The City's major funds for 2008 include the General Fund, Major and Local Street Funds, Roads & Right-of-Ways Fund (Governmental Funds) and the Water and Sewer Funds (Proprietary Funds).

Governmental Funds:

The focus of the information provided regarding the City's Governmental Funds is to provide data on near-term inflows, outflows, and balances in spendable resources. This information is useful in assessing the City's financing requirements. In particular, unrestricted fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the total Governmental Funds reported a combined fund balance of \$74,900. This fund balance is comprised of \$99,100 from the General Fund, \$800 from the Major Streets Fund, \$ 12,400 from the Local Streets Fund, (\$38,300) from Roads and Right-of-Ways Fund, and (\$900) from Non-Major Governmental Funds. This reflects extensive road work completed in the City last fiscal year as well as the heavily increased cost of snow removal services for last winter and related fuel costs.

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures which is 22.3%.

Proprietary Funds:

The City Proprietary Funds provide the same type of information found in the government-wide financial statements, but with more detail. The unrestricted net assets of the Water and Sewer Funds had an overall net increase of \$64,596 over the previous year, and would have been \$21,000 more, but funds were needed for sewer related items.

Capital Assets and Debt Administration:

At the end of the fiscal year, the City had \$4,453,200 in capital assets net of debt and \$5,270,700 in total net assets for its governmental and business-type activities. The governmental activities assets are comprised of land, buildings, machinery/equipment, and maining and pumping equipment used by the Water and Sewer Funds.

Long Term Debt:

At the end of the fiscal year the City had total outstanding debt of \$902,600, consisting of general obligation bonds and revenue bonds. The general obligation debt of \$54,600 in governmental activities and \$348,000 in business-type activities are backed by the full faith and credit of the City. The remainder of the debt represents bonds secured solely by the specific revenue sources (water revenue bonds, \$500,000).

Next Year's Millage Rates:

The City 2007-2008 budget includes a charter operating levy of 10.3714 mills per thousand dollars of taxable value for the purpose of providing funds for the operation of the City. This is the same millage levied in 2007 due to the Headlee millage reduction fraction, which was 1.000 as a direct result of new construction and growth evident throughout the City. Although the mills remain the same, the general fund will see a 2.9% increase in property tax revenue.

Contacting the City's Management:

This financial report is intended to provide our citizens, taxpayers, customers, and investors with the general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the City Offices at (231) 834-7904.

CITY OF GRANT

Government Wide Statement of Net Assets June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
ASSETS			
Cash	\$ 189,900	\$ 408,800	\$ 598,700
Accounts Receivable	26,200	104,900	131,100
Accounts Receivable-Fiduciary Funds	1,800	-	1,800
Employee Receivable	400	-	400
Restricted Cash	2,100	51,500	53,600
Internal Balances	(108,100)	108,100	-
Bond Issuance Cost - Net of Amort.	1,500	-	1,500
Net Capital Assets	<u>1,050,600</u>	<u>4,413,400</u>	<u>5,464,000</u>
 Total Assets	 <u>1,164,400</u>	 <u>5,086,700</u>	 <u>6,251,100</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	9,200	17,400	26,600
Accrued Wages and Payroll Taxes	11,700	12,400	24,100
Noncurrent Liabilities			
Deferred Revenue	27,100	-	27,100
Due Within One Year	21,100	24,000	45,100
Due in More Than One Year	<u>33,500</u>	<u>824,000</u>	<u>857,500</u>
 Total Liabilities	 <u>102,600</u>	 <u>877,800</u>	 <u>980,400</u>
NET ASSETS			
Invested in Capital Assets			
Net of Related Debt	887,800	3,565,400	4,453,200
Restricted Assets	2,100	51,500	53,600
Unrestricted Assets	<u>171,900</u>	<u>592,000</u>	<u>763,900</u>
 Total Net Assets	 <u><u>\$ 1,061,800</u></u>	 <u><u>\$ 4,208,900</u></u>	 <u><u>\$ 5,270,700</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Government Wide Statement of Activities For the Year Ended June 30, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 178,100	\$ 18,400	\$ -	\$ 34,000	\$ (125,700)	\$ -	\$ (125,700)
Public Safety	123,200	-	-	11,000	(112,200)	-	(112,200)
Public Works	203,000	-	67,100	-	(135,900)	-	(135,900)
Community and Econ. Dev.	4,600	-	-	-	(4,600)	-	(4,600)
Recreation and Culture	15,700	-	-	8,100	(7,600)	-	(7,600)
Other Functions	22,400	-	-	-	(22,400)	-	(22,400)
Interest on Long-Term Debt	3,800	-	-	-	(3,800)	-	(3,800)
Total Governmental Activities	550,800	18,400	67,100	53,100	(412,200)	-	(412,200)
Business Type Activities							
Water	220,200	209,800	-	-	-	(10,400)	(10,400)
Sewer	230,500	185,200	-	-	-	(45,300)	(45,300)
Total Business-Type Activities	450,700	395,000	-	-	-	(55,700)	(55,700)
Total	1,001,500	413,400	67,100	53,100	(412,200)	(55,700)	(467,900)
General Revenues							
Property Taxes					265,200	35,100	300,300
State Shared Revenue					98,400	-	98,400
Interest					7,700	19,800	27,500
Miscellaneous					88,800	1,600	90,400
Total General Revenues and Transfers					460,100	56,500	516,600
Change in Net Assets					47,900	800	48,700
Net Assets - Beginning					1,013,900	4,208,100	5,222,000
Net Assets - Ending					<u>\$ 1,061,800</u>	<u>\$ 4,208,900</u>	<u>\$ 5,270,700</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Roads & Right of Ways Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 171,900	\$ -	\$ 14,500	\$ 1,200	\$ 2,300	\$ 189,900
Accounts Receivable	21,000	3,800	1,400	-	-	26,200
Employee Receivable	400	-	-	-	-	400
Due from Other Funds	8,300	-	-	-	-	8,300
Cash - Restricted	-	-	-	-	2,100	2,100
Total Assets	<u>\$ 201,600</u>	<u>\$ 3,800</u>	<u>\$ 15,900</u>	<u>\$ 1,200</u>	<u>\$ 4,400</u>	<u>\$ 226,900</u>
LIABILITIES						
Accounts Payable	\$ 5,700	\$ -	\$ -	\$ -	\$ 3,500	\$ 9,200
Accrued Wages and Payroll Taxes	1,100	-	-	-	-	1,100
Due to Other Funds	-	3,000	3,500	-	-	6,500
Deferred Revenue	27,100	-	-	-	-	27,100
Advances from Other Funds	68,600	-	-	39,500	-	108,100
Total Liabilities	102,500	3,000	3,500	39,500	3,500	152,000
FUND BALANCES						
Unreserved	99,100	800	12,400	(38,300)	(1,200)	72,800
Reserved	-	-	-	-	2,100	2,100
Total Fund Balance	99,100	800	12,400	(38,300)	900	74,900
Total Liabilities and Fund Balance	<u>\$ 201,600</u>	<u>\$ 3,800</u>	<u>\$ 15,900</u>	<u>\$ 1,200</u>	<u>\$ 4,400</u>	<u>\$ 226,900</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended June 30, 2008

Total Governmental Fund Balances	\$	74,900
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Assets	1,375,000	
Governmental Accumulated Depreciation	<u>(324,400)</u>	1,050,600

Accrued absences (sick and vacation pay) are recognized in the fund statements when they mature (when they are due); however these amounts are recognized when they are earned in the statement of net assets.

	(10,600)
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Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

General Obligation Debt	(54,600)	
Bond Issuance Costs - Net of Amortization	1,500	<u>(53,100)</u>

Total Net Assets - Governmental Activities:	\$	<u><u>1,061,800</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance June 30, 2008

	General Fund	Major Streets Fund	Local Streets Fund	Roads & Right of Ways Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 195,800	\$ -	\$ -	\$ 52,000	\$ 17,400	\$ 265,200
State Sources	98,400	50,000	17,100	-	-	165,500
Charges for Services	18,400	-	-	-	-	18,400
Interest	7,400	-	100	200	-	7,700
Miscellaneous	172,400	-	-	-	2,100	174,500
Total Revenues	492,400	50,000	17,200	52,200	19,500	631,300
Expenditures						
General Government	141,500	-	-	-	-	141,500
Public Safety	101,800	-	-	-	19,800	121,600
Public Works	75,100	34,300	20,200	89,900	13,100	232,600
Community and Economic Dev.	4,600	-	-	-	-	4,600
Recreation and Culture	15,700	-	-	-	-	15,700
Other Functions	22,400	-	-	-	-	22,400
Debt Service	-	-	-	-	23,400	23,400
Capital Outlay	83,300	-	-	1,600	-	84,900
Total Expenditures	444,400	34,300	20,200	91,500	56,300	646,700
Excess Revenue Over (Under) Expenditures	48,000	15,700	(3,000)	(39,300)	(36,800)	(15,400)
Other Financing Sources (Uses)						
Sale of Capital Assets	3,500	-	-	-	-	3,500
Transfers In	-	-	-	-	36,000	36,000
Transfers Out	(12,600)	(23,400)	-	-	-	(36,000)
Total Other Financing Sources (Uses)	(9,100)	(23,400)	-	-	36,000	3,500
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	38,900	(7,700)	(3,000)	(39,300)	(800)	(11,900)
Fund Balance - Beginning	60,200	8,500	15,400	1,000	1,700	86,800
Fund Balance - Ending	<u>\$ 99,100</u>	<u>\$ 800</u>	<u>\$ 12,400</u>	<u>\$ (38,300)</u>	<u>\$ 900</u>	<u>\$ 74,900</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	(11,900)
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	79,500	
Depreciation expense reported in the statement of activities	<u>(42,300)</u>	37,200

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Absences	6,500
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

20,200

In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

Sale of Land	(3,500)
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Bond issuance costs are amortized over the life of the long-term debt. The current amount deducted in the government-wide statement is:

<u>(600)</u>

Changes in Net Assets - Governmental Activities	\$	<u><u>47,900</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statement of Net Assets June 30, 2008

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash	\$ 228,100	\$ 180,700	\$ 408,800
Accounts Receivable	57,000	47,900	104,900
Due From Other Funds	400	-	400
Total Current Assets	285,500	228,600	514,100
Noncurrent Assets			
Restricted Cash	39,900	11,600	51,500
Due To Other Funds	-	-	-
Advances to Other Funds	108,100	-	108,100
Net Capital Assets	2,571,200	1,842,200	4,413,400
Total Noncurrent Assets	2,719,200	1,853,800	4,573,000
Total Assets	3,004,700	2,082,400	5,087,100
LIABILITIES			
Current Liabilities			
Accounts Payable	500	16,900	17,400
Due To Other Funds	-	400	400
Accrued Wages and Payroll Taxes	6,200	6,200	12,400
Current Long Term Debt	10,000	14,000	24,000
Total Current Liabilities	16,700	37,500	54,200
Noncurrent Liabilities			
Long Term Bonds	490,000	334,000	824,000
Total Liabilities	506,700	371,500	878,200
NET ASSETS			
Invested in Capital Assets			
-Net of Debt	2,071,200	1,494,200	3,565,400
Restricted Assets	39,900	11,600	51,500
Unrestricted	386,900	205,100	592,000
Total Net Assets	<u>\$ 2,498,000</u>	<u>\$ 1,710,900</u>	<u>\$ 4,208,900</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets June 30, 2008

	Water Fund	Sewer Fund	Total
Operating Revenues			
Fees	\$ 209,800	\$ 185,200	\$ 395,000
Miscellaneous	1,600	-	1,600
Total Operating Revenues	211,400	185,200	396,600
Operating Expenses			
Payroll Expenses	63,800	63,800	127,600
Supplies	11,400	11,200	22,600
Professional & Contracted Services	23,500	42,000	65,500
Utilities and Telephone	11,700	20,400	32,100
Property and Workers Comp Insurance	7,900	7,900	15,800
Equipment Rental	9,000	2,500	11,500
Other Operating Expenses	1,300	11,700	13,000
Depreciation	66,100	53,300	119,400
Total Operating Expenses	194,700	212,800	407,500
Operating Income (Loss)	16,700	(27,600)	(10,900)
Non Operating Revenues			
Interest Income	12,300	7,500	19,800
Property Tax/User Fees	-	35,100	35,100
Interest Expense	(25,500)	(17,700)	(43,200)
Total Non Operating Revenue (Expenses)	(13,200)	24,900	11,700
Net Income (Loss)	3,500	(2,700)	800
Total Net Assets - Beginning	2,494,500	1,713,600	4,208,100
Total Net Assets - Ending	<u>\$ 2,498,000</u>	<u>\$ 1,710,900</u>	<u>\$ 4,208,900</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Proprietary Fund Statements of Cash Flows June 30, 2008

	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 205,200	\$ 182,300	\$ 387,500
Receipts from Other Sources	1,600	-	1,600
Payments for Employees	(65,000)	(65,000)	(130,000)
Payments to Suppliers	(65,600)	(80,400)	(146,000)
Net Cash Provided (Used) by Operating Activities	76,200	36,900	113,100
Cash Flows From Noncapital Financing Activities			
Receipts from Property Taxes	-	35,100	35,100
Due From Other Funds	-	-	-
Advances to Other Funds	(18,400)	-	(18,400)
Transfers to Other Funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(18,400)	35,100	16,700
Cash Flows From Capital and Related Financing Activities			
Principal and Interest on Capital Debt	(34,500)	(31,700)	(66,200)
Change in Restricted Cash	(800)	(3,400)	(4,200)
Acquisitions of Capital Assets	-	(28,500)	(28,500)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(35,300)	(63,600)	(98,900)
Cash Flows From Investing Activities			
Interest Income	12,300	7,500	19,800
Net Increase (Decrease) in Cash	34,800	15,900	50,700
Balance - Beginning of Year	193,300	164,800	358,100
Balance - End of Year	<u>\$ 228,100</u>	<u>\$ 180,700</u>	<u>\$ 408,800</u>

The Notes to the Financial Statements are an integral part of this statement.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 16,700	\$ (27,600)	\$ (10,900)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	66,100	53,300	119,400
Change in Assets and Liabilities:			
Accounts Receivable	(4,600)	(3,000)	(7,600)
Due From Other Funds	-	-	-
Accounts Payable	(800)	15,400	14,600
Due To Other Funds	-	-	-
Accrued Expenses	<u>(1,200)</u>	<u>(1,200)</u>	<u>(2,400)</u>
Net Cash Provided by Operating Activities	<u>\$ 76,200</u>	<u>\$ 36,900</u>	<u>\$ 113,100</u>

Supplemental Information

Cash paid for interest in the Water and Sewer Funds for the year ended June 30, 2008 was \$25,500 and \$17,700 respectively.

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Fiduciary Fund Statement of Net Assets
June 30, 2008

	Trust and Agency Fund
	<hr/>
ASSETS	
Cash	<u>\$ 1,800</u>
LIABILITIES	
Due to Other Funds	<u>\$ 1,800</u>
Total Liabilities	<u>\$ 1,800</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF GRANT

Notes to the Financial Statements For the Year Ended June 30, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Grant conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the City of Grant.

A. Reporting Entity

The City of Grant is governed by an elected seven-member commission (Board).

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Notes to the Financial Statements (continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by June 30; therefore, a receivable is recorded for this amount. For fiscal year-end June 30, 2008, this amount was \$17,400.

2. Property Taxes Receivable

The City's property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the City as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2007 delinquent taxes of \$25,100 were received in May 2008, and thus no receivable was recorded.

The 2007 taxable valuation of the City totaled \$17,700,400 on which ad valorem taxes levied consisted of 10.3714 mills for general operating, .9852 mills for fire operations and equipment, 2.0 mills for sewer bond debt, and 2.9559 mills for roads. These taxes raised \$182,700 for operating, \$17,400 for fire operating and equipment, \$35,100 for sewer bond debt, and \$52,000 for roads. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenues.

All other revenue items are considered to be available only when cash is received by the government.

Notes to the Financial Statements (continued)

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for state shared revenue and other revenue sources used to construct and improve the major streets throughout the City.

The Local Streets Fund accounts for the state shared revenue used to construct and improve road throughout the City.

The Roads and Right of Ways Fund accounts for property taxes levied to build, maintain and improve the City's infrastructure.

The government reports the following major proprietary funds:

The Water and Sewer Funds account for the equipment, debt and operating activities of the water and sewer systems respectively.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenues. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Notes to the Financial Statements (continued)

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, CD's and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. Delinquent taxes are typically received by the end of the fiscal year.

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Restricted Assets -The general obligation bonds in the Sewer Fund and Major Streets Fund requires amounts to be set aside for debt service of interest and principal. Also, seized drug monies require a separate fund and amounts can only be spent on drug prevention.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure assets costs incurred prior to June 30, 2004 are not included in the financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Buildings and Improvements	25 to 40 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Roads	20 to 30 years
Other Infrastructure	30 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

Notes to the Financial Statements (continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. These benefits are considered current liabilities. A liability for one half of unused sick pay and all vacation pay is recorded in the government-wide and proprietary fund financial statements. Compensated absences are not accrued for modified accrual statements.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City has reserved fund balance in the amount of \$2,100 as of June 30, 2008.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 30th, the City Commission reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the City Offices to obtain taxpayer comments.

Prior to June 30th, the budget is legally adopted.

The budgets shown in these financial statements are as last amended through June 30, 2008.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

Notes to the Financial Statements (continued)

In the body of the financial statements, the City's actual expenditures and budgeted expenditure for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the activity level for all governmental funds. The City does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in budgeted funds which were materially in excess of the amounts appropriated.

	Actual	Budget	Variance
General Fund			
Capital Outlay	83,300	60,500	22,800
Major Streets			
Winter Maintenance	20,700	14,400	6,300

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the City Commission in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts, and CDs, but not the remainder of State statutory authority as listed above.

At year-end the City's deposits and investments were reported in basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total Primary Government
Cash and Equivalents	\$ 189,900	\$ 408,800	\$ 1,800	\$ 600,500
Restricted Assets	2,100	51,500	-	53,600
Total	<u>\$ 192,000</u>	<u>\$ 460,300</u>	<u>\$ 1,800</u>	<u>\$ 654,100</u>

Depositories actively used by the City during the year are detailed as follows:

1. Choice One Bank
2. Fifth Third Bank

Notes to the Financial Statements (continued)

Investments are normally categorized to give an indication of the level of risk assumed by the City; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

Interest Rate Risk - In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The City will accomplish this by structuring the investment portfolio in short term investments that mature to meet requirements for ongoing operations; and in long term investments that do not exceed two years in length with the exception of direct and indirect obligations of the Federal Government, as permitted under Public Act 20.

Credit Risk - State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The City's policy restricts this further to limiting investments to the safest types of securities; prequalifying the financial institutions and dealers with which the City will do business; and minimize potential losses by diversifying the investment portfolio.

Concentration of Credit Risk - The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district's investment in single issuer, by diversifying the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk for Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As of June 30, 2008 the bank balance was \$694,300 of which \$300,000 was insured leaving the remaining \$394,300 exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk for Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk by limiting institutions, broker/dealers, intermediaries and advisors with which the City will do business.

NOTE D RECEIVABLES

Receivables as of year-end for the City's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Water & Sewer Fund	Non- Major Funds	Total
State Shared Revenue	\$ 12,200	\$ 3,800	\$ 1,400	\$ -	\$ -	\$ 17,400
Other	8,800	-	-	-	-	8,800
Charges for Services	-	-	-	104,900	-	104,900
Total Receivables	<u>\$ 21,000</u>	<u>\$ 3,800</u>	<u>\$ 1,400</u>	<u>\$ 104,900</u>	<u>\$ -</u>	<u>\$ 131,100</u>

Notes to the Financial Statements (continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The City had \$27,100 of deferred revenue composed of the following grant funds that had not yet incurred allowable expenditures, and thus were considered unearned at June 30, 2008.

	Grant Amount	Expenditure Incurred	Deferred Revenue
Water Tower Park	53,000	32,800	20,200
Community Clean-Up Day	1,000	1,000	-
Arbor Day	200	200	-
Police Car	9,000	9,000	-
Emergency Call Box	2,000	2,000	-
Skate Park	15,000	8,100	6,900
	<u>\$ 80,200</u>	<u>\$ 53,100</u>	<u>\$ 27,100</u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 15,400	\$ 25,000	\$ 3,500	\$ 36,900
Capital Assets Being Depreciated				
Buildings	271,000	-	-	271,000
Improvements Other than Buildings	98,000	25,500	-	123,500
Machinery and Equipment	73,700	5,500	-	79,200
Vehicles	139,400	23,500	-	162,900
Infrastructure	701,500	-	-	701,500
Subtotal	1,283,600	54,500	-	1,338,100
Less Accumulated Depreciation for				
Buildings	21,800	6,600	-	28,400
Improvements Other Than Buildings	19,600	3,900	-	23,500
Machinery and Equipment	49,400	3,100	-	52,500
Vehicles	116,400	3,200	-	119,600
Infrastructure	74,900	25,500	-	100,400
Subtotal	282,100	42,300	-	324,400
Net Capital Assets Being Depreciated	1,001,500	12,200	-	1,013,700
Governmental Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 1,016,900</u>	<u>\$ 37,200</u>	<u>\$ 3,500</u>	<u>\$ 1,050,600</u>

Notes to the Financial Statements (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets not being depreciated				
Land	\$ 53,600	\$ -	\$ -	\$ 53,600
Capital Assets Being Depreciated				
Buildings	88,700	-	-	88,700
Machinery and Equipment	60,700	6,600	-	67,300
Maining and Pumping Equipment	5,821,200	21,800	-	5,843,000
Subtotal	5,970,600	28,400	-	5,999,000
Less Accumulated Depreciation for				
Buildings	88,700	-	-	88,700
Machinery and Equipment	31,000	3,000	-	34,000
Maining and Pumping Equipment	1,400,100	116,400	-	1,516,500
Subtotal	1,519,800	119,400	-	1,639,200
Net Capital Assets Being Depreciated	4,450,800	(91,000)	-	4,359,800
Business-Type Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$4,504,400</u>	<u>\$ (91,000)</u>	<u>\$ -</u>	<u>\$ 4,413,400</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

General Government	37,700
Public Safety	1,600
Public Works	3,000
Total Governmental Activities	<u>\$ 42,300</u>

Business-Type Activities

Water	\$ 66,100
Sewer	53,300
Total Business-Type Activities	<u>\$ 119,400</u>

Notes to the Financial Statements (continued)

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund Due From/Advances To		Payable Fund (Due To)/(Advances From)	
General Fund	\$ 8,300	Trust & Agency Fund	\$ 1,800
		Local Streets Fund	3,500
		Major Streets Fund	3,000
Water Fund	400	Sewer Fund	400
Water Fund	108,100	General Fund	68,600
		Roads & Right of Ways	39,500

Transfers In		(Transfers Out)	
Streetscape	\$ 9,600	General Fund	\$ 12,600
Fire Fund	3,000		-
Transportation Bond Fund	23,400	Major Streets Fund	23,400

NOTE G LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balances	Additions (Reductions)	Ending Balances	Due Within One Year
Governmental Activities						
General Obligation Bonds						
2003 MI Transportation Bond	4.60%	12/1/2010	\$ 74,700	\$ (20,100)	\$ 54,600	\$ 21,100
			<u>\$ 74,700</u>	<u>\$ (20,100)</u>	<u>\$ 54,600</u>	<u>\$ 21,100</u>
Business-Type Activities						
General Obligation Bonds						
1992 Sewer Line Bonds	5.00%	10/1/2023	\$ 362,000	\$ (14,000)	\$ 348,000	\$ 14,000
Revenue Bonds						
1994 Water Revenue Bond	5.00%	12/1/2034	509,000	(9,000)	500,000	10,000
			<u>\$ 871,000</u>	<u>\$ (23,000)</u>	<u>\$ 848,000</u>	<u>\$ 24,000</u>

Notes to the Financial Statements (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 21,100	\$ 2,300	\$ 24,000	\$ 42,000
2010	22,100	1,300	25,000	41,300
2011	11,400	300	27,000	39,600
2012	-	-	29,000	38,200
2013	-	-	30,000	36,700
2014-2018	-	-	178,000	158,700
2019-2023	-	-	227,000	108,900
2024-2028	-	-	150,000	58,500
2029-2033	-	-	131,000	26,700
2034-2038	-	-	27,000	1,300
	<u>\$ 54,600</u>	<u>\$ 3,900</u>	<u>\$ 848,000</u>	<u>\$ 551,900</u>

For major streets construction projects, the net proceeds of the 2003 MI Transportation Bond after related fees were \$122,500. A debt service fund was created to pay principal and interest payments.

NOTE H RESTRICTED ASSETS

The balances of the restricted assets are as follows:

	Water	Sewer	Drug Law Enf.	Total
Bond Debt Cash	\$ 39,900	\$ 11,600	\$ -	\$ 51,500
Cash	-	-	2,100	2,100
Total Restricted Assets	<u>\$ 39,900</u>	<u>\$ 11,600</u>	<u>\$ 2,100</u>	<u>\$ 53,600</u>

NOTE I ENDOWMENT FUND

The Fremont Area Community Foundation holds an endowment fund which has been earmarked for the City of Grant. As of June 30, 2008, the Fremont Area Community Foundation holds endowment funds for the City of Grant in the amount of \$42,700.

NOTE J DEFERRED COMPENSATION PLAN

The City has a deferred compensation plan in accordance with the Internal Revenue Code Section 457. The plan is administered by Security Benefit Group through an administrative service agreement. Eligible employees are allowed to defer a portion of their salary until future years. In addition, the City has a policy in place to contribute 6% of each employee's gross compensation into the plan after one year of service has been completed. All amounts contributed are 100% vested immediately and therefore are the property of the employee as soon as the contributions are made. City contributions for the year ended June 30, 2008 amounted to \$11,200.

Notes to the Financial Statements (continued)

NOTE K CAFETERIA PLAN

The City administers its own cafeteria plan under Internal Revenue Code Section 125(b). Employees may elect to set aside a portion of their income for medical or dependent care purposes. In addition, the City contributes \$1,000 into the 125(b) plan for each of its full-time employees. Employees may not withdraw more than they have withheld during the plan year; also, if they do not use the full amount withheld within the plan year, the money becomes the City's funds. At June 30, 2008, the City has disbursed \$400 more than it has withheld, which is expected to be withheld by the end of the plan year.

NOTE L RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE M FUND BALANCE DEFICIT

The City has incurred a fund balance deficit in the streetscape fund and the roads and right of ways fund in the amounts of \$3,500 and \$38,300 respectively. The deficit occurred in the streetscape fund as a result of a payable that was recorded at year end. Engineering services were performed prior to receiving grant monies for this project. This deficit will be corrected in the 2008-2009 fiscal year when the grant monies are received.

The deficit in the Roads and Right of Ways Fund was created as a result of expenditures exceeding revenues. Monies were borrowed from the Water Fund to pay for these expenditures; however, this created a fund deficit. The deficit can be eliminated in the 2008-2009 fiscal year as property tax revenues will be collected in excess of the deficit.

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 130,500	\$ 60,200	\$ 60,200	\$ -
Resources (Inflows)				
Property Taxes	190,300	197,700	195,800	(1,900)
State Sources	94,900	99,500	98,400	(1,100)
Charges for Services	20,500	16,700	18,400	1,700
Interest	1,300	5,600	7,400	1,800
Other	208,500	181,700	172,400	(9,300)
Sale of Capital Assets	600	-	3,500	3,500
Transfer In	-	8,000	-	(8,000)
Amounts Available for Appropriation	646,600	569,400	556,100	(13,300)
Charges to Appropriations (Outflows)				
General Government	145,700	164,000	141,500	22,500
Public Safety	93,700	98,400	101,800	(3,400)
Public Works	69,100	75,900	75,100	800
Community and Econ. Dev.	3,000	3,900	4,600	(700)
Recreation and Culture	21,200	14,200	15,700	(1,500)
Other Functions	21,600	24,500	22,400	2,100
Transfers Out	152,400	43,800	12,600	31,200
Capital Outlay	10,700	60,500	83,300	(22,800)
Total Charges to Appropriation	517,400	485,200	457,000	28,200
Budgetary Fund Balance-June 30, 2008	<u>\$ 129,200</u>	<u>\$ 84,200</u>	<u>\$ 99,100</u>	<u>\$ 14,900</u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Major Streets Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 8,000	\$ 8,500	\$ 8,500	\$ -
Resources (Inflows)				
State Shared Revenue	48,000	48,000	50,000	2,000
Interest	100	-	-	-
Amounts Available for Appropriation	56,100	56,500	58,500	2,000
Charges to Appropriations (Outflows)				
Routine Maintenance	9,400	8,600	8,300	300
Traffic Maintenance	3,000	5,300	4,500	800
Winter Maintenance	11,400	14,400	20,700	(6,300)
Administration	24,300	900	800	100
Transfer Out	-	23,400	23,400	-
Total Charges to Appropriations	48,100	52,600	57,700	(5,100)
Budgetary Fund Balance-June 30, 2008	<u>\$ 8,000</u>	<u>\$ 3,900</u>	<u>\$ 800</u>	<u>\$ (3,100)</u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Local Streets Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 16,200	\$ 15,400	\$ 15,400	\$ -
Resources (Inflows)				
State Shared Revenue	18,300	18,300	17,100	(1,200)
Interest	100	100	100	-
Transfer In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	34,600	33,800	32,600	(1,200)
Charges to Appropriations				
Routine Maintenance	9,300	11,200	11,300	(100)
Traffic Maintenance	2,000	1,500	1,400	100
Winter Maintenance	6,100	5,100	7,000	(1,900)
Administration	500	600	500	100
Contracted Services	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriations	<u>18,400</u>	<u>18,400</u>	<u>20,200</u>	<u>(1,800)</u>
Budgetary Fund Balance-June 30, 2008	<u><u>\$ 16,200</u></u>	<u><u>\$ 15,400</u></u>	<u><u>\$ 12,400</u></u>	<u><u>\$ (3,000)</u></u>

CITY OF GRANT

Required Supplementary Information Budgetary Comparison Schedule for the Roads & Right of Ways Fund For the Year Ended June 30, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 1,600	\$ 1,000	\$ 1,000	\$ -
Resources (Inflows)				
Property Taxes	52,300	52,500	52,000	(500)
Interest	200	200	200	-
Transfers In	<u>-</u>	<u>47,500</u>	<u>-</u>	<u>(47,500)</u>
Amounts Available for Appropriation	54,100	101,200	53,200	(48,000)
Charges to Appropriations				
Contracted Services	52,300	92,200	89,900	2,300
Capital Outlay	-	-	1,600	(1,600)
Transfers Out	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total Charges to Appropriations	<u>52,300</u>	<u>100,200</u>	<u>91,500</u>	<u>8,700</u>
Budgetary Fund Balance-June 30, 2008	<u><u>\$ 1,800</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ (38,300)</u></u>	<u><u>\$ (39,300)</u></u>

CITY OF GRANT

Combining Balance Sheet Non-Major Governmental Fund June 30, 2008

	Special Revenue Funds				Debt Service Fund	Total Non-Major Governmental Funds
	Fire Fund	Sidewalk Fund	Streetscape Fund	Drug Law Enf. Fund	Transportation Bond Fund	
ASSETS						
Cash and Investments	\$ 2,000	\$ 200	\$ -	\$ -	\$ 100	\$ 2,300
Restricted Cash	-	-	-	2,100	-	2,100
Total Assets	<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 2,100</u>	<u>\$ 100</u>	<u>\$ 4,400</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	\$ -	\$ -	\$ 3,500	\$ -	\$ -	\$ 3,500
Total Liabilities	-	-	3,500	-	-	3,500
Fund Equity						
Fund Balances - Unreserved	2,000	200	(3,500)	-	100	(1,200)
Fund Balances - Reserved	-	-	-	2,100	-	2,100
Total Fund Balance	<u>2,000</u>	<u>200</u>	<u>(3,500)</u>	<u>2,100</u>	<u>100</u>	<u>900</u>
Total Liabilities and Fund Equity	<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 2,100</u>	<u>\$ 100</u>	<u>\$ 4,400</u>

CITY OF GRANT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds For the Year Ended June 30, 2008

	Special Revenue Funds				Debt Service Fund	Total Non-Major Governmental Funds
	Fire Fund	Sidewalk Fund	Streetscape Fund	Drug Law Enf. Fund	Transportation Bond Fund	
Revenues						
Taxes	\$ 17,400	\$ -	\$ -	\$ -	\$ -	\$ 17,400
Interest	-	-	-	-	-	-
Miscellaneous	-	-	-	2,100	-	2,100
Total Revenues	17,400	-	-	2,100	-	19,500
Expenditures						
Public Safety	19,800	-	-	-	-	19,800
Public Works	-	-	13,100	-	-	13,100
Debt Service	-	-	-	-	23,400	23,400
Total Expenditures	19,800	-	13,100	-	23,400	56,300
Excess Revenue Over (Under) Expenditures	(2,400)	-	(13,100)	2,100	(23,400)	(36,800)
Other Financing Sources (Uses)						
Operating Transfers In (Out)	3,000	-	9,600	-	23,400	36,000
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	600	-	(3,500)	2,100	-	(800)
Fund Balance - July 1, 2007	1,400	200	-	-	100	1,700
Fund Balance - June 30, 2008	<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ (3,500)</u>	<u>\$ 2,100</u>	<u>\$ 100</u>	<u>\$ 900</u>

CITY OF GRANT

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Taxes			
Current	\$ 184,500	\$ 182,700	\$ (1,800)
Trailer	200	200	-
Fees and Penalties	3,100	3,100	-
Property Tax Administration Fee	9,900	9,800	(100)
	<u>197,700</u>	<u>195,800</u>	<u>(1,900)</u>
State Sources			
State Shared Revenue	99,500	98,400	(1,100)
Charges for Services			
Business Licenses and Permits	700	700	-
Cemetery Lot Sales	3,800	3,800	-
Monuments and Foundation Sales	1,300	1,300	-
Contracted Services	10,900	12,600	1,700
	<u>16,700</u>	<u>18,400</u>	<u>1,700</u>
Grants	71,200	53,100	(18,100)
Fines and Forfeits	7,700	7,900	200
Interest	5,600	7,400	1,800
Rent (Community Building and Equipment)	58,300	61,400	3,100
Refunds and Rebates	2,100	2,100	-
Miscellaneous	19,700	12,400	(7,300)
Water Tower Lease	8,900	9,200	300
Private Donations	9,900	20,500	10,600
Cable TV Franchise	3,900	5,800	1,900
	<u>187,300</u>	<u>179,800</u>	<u>(7,500)</u>
Total Revenues	\$ 501,200	\$ 492,400	\$ (8,800)

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Expenditures

General Government

City Commission and Mayor

Salaries and Wages	\$	7,500		
Social Security Tax		600		
Office and Operating Supplies		500		
Professional Services		6,000		
Printing and Publishing		1,900		
Memberships and Dues		1,100		
Miscellaneous		800		
Capital Outlay		<u>3,500</u>		
	\$	19,000	21,900	\$ (2,900)

City Manager

Salaries and Wages		38,300		
Social Security Tax		2,900		
Fringes		2,300		
Office and Operating Supplies		1,400		
Professional Services		-		
Telephone		1,100		
Transportation		600		
Education and Training		1,000		
Memberships and Dues		400		
Miscellaneous		<u>-</u>		
		47,800	48,000	(200)

Clerk

Salaries and Wages		27,400		
Social Security Tax		2,000		
Office and Operating Supplies		900		
Professional Services		500		
Telephone		700		
Memberships and Dues		300		
Transportation		200		
Education and Training		800		
Miscellaneous		<u>200</u>		
	\$	32,700	\$ 33,000	\$ (300)

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Board of Review

Salaries and Wages	\$	200	
Printing and Publishing		200	
Education and Training		<u>100</u>	

\$	800	500	\$	300
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Treasurer

Salaries and Wages	4,000	
Social Security Tax	100	
Office and Operating Supplies	700	
Professional Services	500	
Contracted Services	1,800	
Telephone	600	
Transportation	100	
Memberships and Dues	100	
Education and Training	400	
Miscellaneous	<u>200</u>	

24,400	8,500	15,900
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Assessor

Office and Operating Supplies	300	
Contracted Services	<u>6,600</u>	

12,400	6,900	5,500
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Elections

Salaries and Wages	1,300	
Social Security Tax	100	
Office and Operating Supplies	200	
Contracted Services	600	
Transportation	100	
Miscellaneous	<u>200</u>	

\$	2,700	\$	2,500	\$	200
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Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

City Hall			
Salaries and Wages		\$ 1,100	
Social Security Tax		100	
Operating Supplies		400	
Public Utilities		3,000	
Repairs and Maintenance		2,900	
Miscellaneous		<u>-</u>	
	\$ 7,800	7,500	\$ 300
Community Building			
Salaries and Wages		500	
Operating and Maintenance Supplies		400	
Public Utilities		6,000	
Repairs and Maintenance		700	
Refunds		2,700	
Capital Outlay		<u>300</u>	
	11,400	10,600	800
Cemetery			
Salaries and Wages		4,100	
Social Security Tax		300	
Operating and Maintenance Supplies		200	
Contracted Services		<u>1,300</u>	
	<u>5,300</u>	<u>5,900</u>	<u>(600)</u>
Total General Government	\$ 164,300	145,300	\$ 19,000
Public Safety			
Police Department			
Salaries and Wages		65,500	
Social Security Tax		4,900	
Fringes		2,500	
Office and Operating Supplies		4,300	
Professional Services		3,500	
Printing and Publications		400	
Contracted Services		\$ 1,400	

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Education and Training		\$	800	
Telephone			1,100	
Transportation			16,200	
Uniforms			700	
Memberships and Dues			300	
Miscellaneous			200	
Capital Outlay			<u>26,500</u>	
Total Public Safety	\$	124,400	128,300	\$ (3,900)
Public Works				
Department of Public Works				
Salaries and Wages			21,200	
Social Security Tax			1,600	
Fringes			1,800	
Office and Operating Supplies			2,700	
Contracted Services			4,500	
Repairs and Maintenance			100	
Printing and Publishing			100	
Telephone			800	
Transportation			21,400	
Utilities			1,000	
Uniforms			300	
Miscellaneous			300	
Capital Outlay			<u>6,900</u>	
		70,100	62,700	7,400
Drains		1,100	1,000	100
Street Lighting		<u>13,300</u>	<u>18,300</u>	<u>(5,000)</u>
Total Public Works		84,500	82,000	2,500
Community and Economic Development				
Planning Commission				
Salaries and Wages			100	
Social Security Tax			<u>-</u>	
	\$	100	\$ 100	\$ -

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Zoning Commission			
Professional Services		\$ 600	
Enforcement		<u>900</u>	
	\$ 800	<u>1,500</u>	\$ (700)
Economic Development	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Community and Economic Dev.	3,900	4,600	(700)
Recreation and Culture			
Parks			
Salaries and Wages		3,300	
Social Security Tax		300	
Operating and Maintenance Supplies		1,600	
Contracted Services		9,000	
Water Tower Lease		1,200	
Miscellaneous		300	
Capital Outlay		<u>46,100</u>	
	<u>39,800</u>	<u>61,800</u>	<u>(22,000)</u>
Total Recreation and Cultural	39,800	61,800	(22,000)
Other Functions			
Health and Life Insurance		13,000	
Property and Liability Insurance		4,500	
Worker's Compensation Insurance		1,500	
Interest Expense		<u>3,400</u>	
Total Other Functions	24,500	22,400	2,100
Total Expenditures	<u>441,400</u>	<u>444,400</u>	<u>(3,000)</u>
Excess Revenues Over (Under) Expenditures	\$ 59,800	\$ 48,000	\$ 11,800

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Other Financing Sources (Uses)

Transfers In	\$ 8,000	\$ -	\$ (8,000)
Sale of Capital Assets	-	3,500	3,500
Transfers Out	<u>(43,800)</u>	<u>(12,600)</u>	<u>31,200</u>
 Total Other Financing Sources (Uses)	 <u>(35,800)</u>	 <u>(9,100)</u>	 <u>26,700</u>
 Excess Revenues and Sources Over (Under) Expenditures and Uses	 <u>\$ 24,000</u>	 38,900	 <u>\$ 14,900</u>
 Fund Balance - July 1, 2007		<u>60,200</u>	
 Fund Balance - June 30, 2008		<u>\$ 99,100</u>	

CITY OF GRANT

Water Fund Balance Sheets June 30, 2008 and 2007

	<u>6/30/2008</u>	<u>6/30/2007</u>
ASSETS		
Cash - Receiving	\$ 146,500	\$ 60,700
Cash - Operating	29,600	67,700
Cash - Reserved	-	-
Cash - Replacement/Improvement	52,000	64,900
Accounts Receivable	57,000	52,400
Due From Other Funds	400	400
Advances To Other Funds	108,100	89,700
Property, Plant and Equipment	3,323,400	3,323,400
Less Accumulated Depreciation	(752,200)	(686,100)
Restricted Assets		
Cash - Debt Service	<u>39,900</u>	<u>39,100</u>
Total Assets	3,004,700	3,012,200
LIABILITIES		
Accounts Payable	500	1,300
Accrued Wages	6,200	7,400
Current Long-Term Debt	10,000	9,000
Bond Debt	<u>490,000</u>	<u>500,000</u>
Total Liabilities	<u>506,700</u>	<u>517,700</u>
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	2,071,200	2,128,300
Restricted	39,900	39,100
Unrestricted	<u>386,900</u>	<u>327,100</u>
Total Net Assets	<u>\$ 2,498,000</u>	<u>\$ 2,494,500</u>

CITY OF GRANT

Statements of Revenues, Expenses and Changes in Retained Earnings - Water Fund For the Year Ended June 30, 2008 and 2007

	June 30, 2008		June 30, 2007
	Budget	Actual	Actual
Operating Revenues			
Fees	\$ 204,600	\$ 209,800	\$ 195,300
Miscellaneous	1,300	1,600	33,600
Total Operating Revenues	205,900	211,400	228,900
Operating Expenses			
Salaries and Wages	33,000	46,800	40,600
FICA	2,500	3,500	3,000
Fringe Benefits	1,900	2,300	2,100
Health and Life Insurance	7,100	11,200	8,800
Office and Operating Supplies	9,700	11,400	7,800
Professional Services	3,000	3,000	2,500
Property and Liability Insurance	6,000	6,000	8,300
Workers Comp Insurance	1,600	1,900	2,100
Contracted Services	20,000	20,500	20,600
Repairs and Maintenance	400	200	1,300
Utilities	8,000	8,500	9,000
Telephone	2,400	3,200	2,800
Printing and Publishing	1,000	600	1,100
Equipment Rental	9,000	9,000	8,700
Miscellaneous	1,100	500	2,700
Depreciation	65,400	66,100	65,400
Total Operating Expenses	172,100	194,700	186,800
Operating Income (Loss)	33,800	16,700	42,100
Non Operating Revenues (Expenses)			
Interest Income	4,200	12,300	9,300
Interest Expense	(26,100)	(25,500)	(25,900)
Transfers Out	(7,800)	-	(7,000)
Total Non Operating Revenue (Expenses)	(29,700)	(13,200)	(23,600)
Net Income (Loss)	\$ 4,100	3,500	\$ 18,500
Total Net Assets - Beginning		2,494,500	
Total Net Assets - Ending		\$ 2,498,000	

CITY OF GRANT

Sewer Fund Balance Sheets June 30, 2008 and 2007

	<u>6/30/2008</u>	<u>6/30/2007</u>
ASSETS		
Cash - Operating	\$ 180,700	\$ 124,800
Cash - Reserved	-	40,000
Accounts Receivable	47,900	45,000
Property, Plant and Equipment	2,729,200	2,700,800
Less Accumulated Depreciation	(887,000)	(833,800)
Restricted Assets		
Cash - Debt Service	<u>11,600</u>	<u>8,200</u>
Total Assets	2,082,400	2,085,000
LIABILITIES		
Accounts Payable	16,900	1,600
Due to Other Funds	400	400
Accrued Wages and Payroll Taxes	6,200	7,400
Current Long-Term Debt	14,000	14,000
Bond Debt	<u>334,000</u>	<u>348,000</u>
Total Liabilities	<u>371,500</u>	<u>371,400</u>
NET ASSETS		
Invested in Capital Assets		
Net of Related Debt	1,494,200	1,505,000
Restricted	11,600	8,200
Unrestricted	<u>205,100</u>	<u>200,400</u>
Total Net Assets	<u>\$ 1,710,900</u>	<u>\$ 1,713,600</u>

CITY OF GRANT

Statements of Revenues, Expenses and Changes in Retained Earnings - Sewer Fund For the Year Ended June 30, 2008 and 2007

	June 30, 2008		June 30, 2007
	Budget	Actual	Actual
Operating Revenues			
Fees	\$ 181,600	\$ 185,200	\$ 172,500
Miscellaneous	-	-	1,600
Total Operating Revenues	181,600	185,200	174,100
Operating Expenses			
Salaries and Wages	33,100	46,800	40,600
FICA	2,500	3,500	3,000
Fringe Benefits	1,900	2,500	2,100
Health and Life Insurance	9,500	11,000	8,800
Office and Operating Supplies	9,700	11,200	17,800
Professional Services	14,200	5,700	2,700
Property and Liability Insurance	6,000	6,000	9,800
Workers Comp Insurance	1,400	1,900	2,100
Contracted Services	18,500	36,300	32,500
Utilities	18,600	19,100	19,500
Telephone	1,100	1,300	1,100
Printing and Publishing	-	600	-
Equipment Rental	2,500	2,500	2,900
Miscellaneous	10,700	10,400	400
Education and Training	700	700	-
Depreciation	51,100	53,300	51,100
Capital Outlay	9,300	-	-
Total Operating Expenses	190,800	212,800	194,500
Operating Income (Loss)	(9,200)	(27,600)	(20,400)
Non Operating Revenues (Expenses)			
Interest Income	3,700	7,500	4,600
Property Taxes/User Fees (For Debt Service)	35,500	35,100	34,900
Transfers Out	(7,800)	-	(7,000)
Interest Expense	(17,800)	(17,700)	(18,400)
Total Non Operating Revenue (Expenses)	13,600	24,900	14,100
Net Income (Loss)	\$ 4,400	(2,700)	\$ (6,300)
Total Net Assets - Beginning		1,713,600	
Total Net Assets - Ending		\$ 1,710,900	



Report on Internal Control and Compliance Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

City Commission
City of Grant
Newaygo County
Grant, Michigan 49327

We have audited the financial statements of the City of Grant as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Grant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Grant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Commission, management, other within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
December 8, 2008





City Commission
City of Grant
Grant, MI 49327

In planning and performing our audit of the financial statements of the City of Grant as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the City of Grant's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grant's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Controls over Financial Statement Preparation

The City currently does not have controls in place to ensure all transactions, both cash and non-cash, and corresponding note disclosures are recorded in the financial statements in accordance with the required accounting principles for the audit report.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
December 8, 2008





December 8, 2008

To the City Commission
City of Grant

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grant for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Grant. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Grant are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation on fixed assets is based on the straight-line method of depreciation over the useful lives of the related asset.

Management's estimate of wage allocations.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following material misstatements detected as a result of audit procedures were corrected by management: One material adjustment that was detected during the audit and corrected by management was the recording of cash and in-kind donations. Other adjustments included some reclassifications, and recording additional payables, receivables, and deferred revenues.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As part of our audit of the financial statements of the City of Grant, we offer the following comments, observations, and recommendations:

Books and Records – We would like to commend the clerk and treasurer for their work at using QuickBooks to record the transactions and records of the City of Grant. We again found the books to be in good condition and recommend that the City of Grant fully convert to QuickBooks and then eliminate the handwritten general ledger. We would be happy to assist in this transition or offer recommendations of others who could assist.

Water and Sewer Billings - While testing the water and sewer billing rates, discrepancies were found in 28% of the sample population tested. There were no discrepancies noted in individual residential billings, however 4 out of 6 business and non-profits tested were billed at incorrect water or sewer rates. We are happy to report that when these errors were shown to the treasurer, she immediately went into the system and corrected them to ensure correct future billings. However, this does point to an inherent weakness in the system. There is no control, or trail for follow-up of changes being made to these rates.

A second concern with the billing system occurred when the treasurer applied an update and the prior history was deleted.

Finally, as in prior years, we again note that there is no reconciliation from the clerk's general ledger to the billing system maintained by the treasurer. We would once more recommend that both the clerk and treasurer reconcile their respective billings with each other.

Budgetary Control – During the past audit, the City incurred two material budget overexpenditures, along with other overexpenditures that were immaterial. We would like to remind the Commission that the City is not allowed to spend more than budgeted. We recommend that the City use budgets more as a planning and progress tracking tool rather than amending the budget just enough to cover actual expenditures.

This information is intended solely for the use of the City Commission and management of the City of Grant and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Hendon & Slate, P.C.

Hendon & Slate, PC